MEMORIAL OF THE PRESIDENT AND MANAGERS OF THE MONONGAHELA NAVIGATION COMPANY.

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Monongahela Navigation Company, Pittsburgh.

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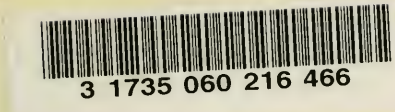
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MEMORIAL

—OF THE—

President and Managers of the Monongahela Navigation Company.

Statement of facts and reasons why Bill H. R. 5,681 (referred to Committee on Rivers and Harbors,) providing "for the purchase or condemnation of the entire property and appurtenances of the Monongahela Navigation Company" should not be passed.

Statement of Value of the Property of Company.

To the Honorable, the Senate and House of Representatives of the Congress of the United States.

The "Bill to provide for the purchase or condemnation of the entire property and appurtenances of the Monongahela Navigation Company, a corporation of Pennsylvania," (H. R. 5681), assumes that it is the policy of the United States to acquire the property of the corporation named, and provides:

1st. For acquiring the property by purchase, if practicable, at a cost not exceeding a maximum sum, to be inserted in the bill by the Committee; and,

2d. In the event of the failure on the part of the Secretary of War to make a voluntary purchase of the Company's property and appurtenances, to procuring the title to the property by condemnation proceedings, which the bill authorizes.

Two questions arise on this proposed legislation:

First. Is there any sound policy to be promoted, or any grievance to be redressed by the passage of this bill? And should this question be determined in the affirmative? *Second.* What is the value of the property and appurtenances which the United States would acquire by purchase or condemnation?

DON'T DESIRE TO SELL.

The stockholders of the Monongahela Navigation Company are not ignorant of the fact that the United States Government has, at different periods, acquired works of similar character on the Muskingum River, Ohio; on the Green and Barron Rivers, Kentucky; on the Kanawha River, West Virginia, and also the works known as the Louisville and Portland Canal at the falls of the Ohio River. But they have understood that some, if not all of these properties were unremunerative, and the stockholders were willing to dispose of their interests to the United States. It is believed that this is the first time, or, at least, the first case, in which a corporation constituted by a State, to improve the navigation of a river within its borders, with works completed and in successful operation, has been threatened with condemnation proceedings, should it refuse to accept the price for its works which the Government may choose to offer for a precisely similar use, only free from toll. If there has ever been a parallel case in the history of our National legislation, it has escaped our attention.

The stockholders of the Monongahela Navigation Company have not offered their property for sale, either to the United States or to any corporation or individual, and do not now desire to dispose of the same; but by the River and Harbor Act, approved August 5, 1886, the Secretary of War was authorized and directed to ascertain the value and commercial importance of the "works and property" of the Monongahela Navigation Company; and in order to acquire such information, he was directed to appoint a Board of

three Engineers from the Engineer Corps of the United States Army, to ascertain such value, &c., who were ordered to report to him; and the Secretary was directed to report to Congress at its next succeeding session. The Engineers having performed their duty, and their report now being before Congress, the present bill logically follows, although the United States were not committed to the purchase or acquisition by the act referred to.

PURPOSE OF THE GRANT OF CORPORATE PRIVILEGES AND HOW SUBSERVED.

On page 3 of the Engineers' Report, they say: "The "Monongahela River rises in West Virginia, runs through "the State of Pennsylvania, and empties into the Ohio at "Pittsburgh. Originally the river was unnavigable, ex- "cepting at certain stages of water. The valuable re- "sources of the tributary country, and advisability of its full "development, led to the improvement of a portion of the "river by a corporation under a charter from the State of "Pennsylvania. The improvement has proved a most wise "one, and has resulted in building up an immense com- "merce on the river. But the fact that the work has been "carried on by private means, and is now in the hands of "private parties, leads to the collection of tolls, and results "in a tax on commerce which, *it is claimed*, affects injuriously "certain important interests, and is, in fact, a discrimina- "tion against one section of the country and its commerce, "placing it at a great disadvantage as compared with other "sections which have had their interests developed by the "United States, and which are not subjected to tax."

NOT A TAX ON COMMERCE—AN AID TO COMMERCE.

The Engineers do not say that the tolls collected are a tax on commerce, but that it is so claimed. If the tolls are reasonable in amount, and the improvement an aid to commerce, they are no more a tax on commerce than the wharfage collected at all the cities and principal towns on the

Ohio and Mississippi Rivers, or the port and harbor dues at the different seaports of the United States. But these works are not only an aid to commerce; they actually created what the Engineers call "an immense commerce" on that river.

In Appendix I, accompanying the report of the Engineers (page 10 of the report submitted to Congress), the President of the Navigation Company says:

"The tonnage carried over the works of the Company is principally from coal mined from lands situated on the banks of the river. Previous to the construction of the slackwater improvement, the average amount of coal floated down the river did not exceed twenty thousand tons per annum, which was chiefly taken from the mines near the City of Pittsburgh. The present annual coal trade conducted over the pools of the Company is over three million tons, the enormous increase being due entirely to the construction of the slackwater improvements of the Company, which has also very greatly enhanced the value of real estate situated on or near the river throughout the entire length of the improvement. Prior to the establishment of the slackwater navigation the Monongahela River was not navigable for steamboats nor for boats laden with coal or freight, except in times of freshets or unusually high water, and for much the greater part of the year the river was too low for the purposes of navigation. Coal-boats could not be loaded for want of sufficient water at the place of loading; but since the construction of dams coal-boats and barges may be loaded at all times, and are ready to go out when there is sufficient water in the Ohio River at and below Pittsburgh to float them. Indeed, instead of the works of the Company being an obstruction to navigation on the Monongahela River, they have made that stream navigable at all times, and there can be no successful navigation without these or similar works."

The President of the Company also says, on the same page:

"The rates of tolls are the lowest charged on any canal or slackwater improvement in the United States, and so low that to take them off altogether would not lessen the price of coal one cent per ton, and yet coal constitutes seven-tenths of all the tonnage over the works. Before the opening of the principal railroads running east from Pittsburgh considerable revenue accrued from the carriage of passengers on steamers over the pools from Pittsburgh to Brownsville; but this source of revenue has been greatly diminished. The receipts from passengers were for the year 1848, $18,271.79; for the year 1875, $5,844.16, and for 1885, $3,667.70. The receipts from this source have gradually decreased."

MEMORIAL OF CHAMBER OF COMMERCE EXAMINED.

Appendix II of the same report, page 17, being the Memorial Address of the Chamber of Commerce of Pittsburgh, dated 15th of December, 1884, "relating to the commercial importance of the Monongahela River, and alleged urgent necessity for making the same a free highway of commerce, says: "Since the time the rights and privileges herebefore mentioned were granted to the said Navigation Company (1836) the business transacted in said valley has increased enormously in volume, especially through the development of the bituminous coal industry;" and in the third clause of the Memorial: "Since the year 1844, the bituminous coal business has been growing in size until the tonnage of the coal passing through the locks of the said Navigation Company, during year 1883 (the year immediately preced-the date of the Memorial) amounted to the total sum of over 108,000,000 bushels, or about 4,000,000 of tons: and but for the toll exacted by the said Navigation Company and the insufficient facilities afforded shippers, the gross tonnage would have probably exceeded largely that amount;" and in the fifth paragraph of the Memorial it is said: "The principal portion of the coal mined and shipped from the Monongahela Valley passes through four locks. The tolls, as now

exacted by the Monongahela Navigation Company, are as follows: On each thousand bushels of coal passing down through the four locks, $2.65; and through the three locks, $2.45; and through the two locks, $1.80; and through the first lock, 90 cents. In addition to this is the toll on steamers and empty crafts up-stream, ranging from 50 cents to $1 each at every lock. As per above statement, it will be found the lockage on coal alone passing through the four locks amounts to within a fraction of 7 cents per ton, and estimating the entire amount of coal run through Lock No. 1 during the past year, amounting to 108,000,000 bushels, as being produced equally in the four pools, would amount to over $210,000."

The above extract from this Memorial correctly gives the tolls on a thousand bushels of coal passing over the improvement. The distance from the first lock to the highest point on the river, of pool No. 4, where coal is mined, is about 56 miles, and the toll of $2.65 is about equal to the freight charge for 10 miles carriage of one thousand bushels of coal at the lowest rate charged on any railroad in the United States, that is to say, the charge is between a fifth and a sixth part of the most favorable railroad rate for this kind of freight. The assumption that the 108,000,000 bushels were produced equally in the four pools is erroneous. More than one-half of the coal transported comes from pools Nos. 1 and 2.

KANAWHA COAL.

It is said in the Memorial that since the completion of the improvements on the Kanawha River by the Government, coal mined on that river shipped to market without payment of tolls has appeared in the markets of Cincinnati, Louisville, New Orleans, &c., as a competitor, and that unless relief be granted by taking off the tolls of the Monongahela Company, "the entire bituminous coal business in the Monongahela Valley" is in danger of destruction. How this dire result is to be brought about by the competition

of the Kanawha coal, which is sold in the markets for about one cent per bushel lower than the coal of the Monongahela Valley (while the cost of mining must be nearly the same), is not explained in the Memorial. The Kanawha coal is of a different grade, and cannot compete with that of the Monongahela Valley.

LOW TOLLS.

The tolls charged by the Monongahela Navigation Company are in fact very low—far lower than those on any similar improvement in the United States, as appears by the following comparative statement submitted by the Company to Congress three years ago, in answer to the same Memorial of the Chamber of Commerce Pittsburgh—*the rates being in each case for a distance of 56 miles:*

	Per Ton.	Per Bushel.
Lehigh Canal.....Are	$31\frac{13}{100}$ cents or	$3\frac{8}{10}$ cents.
Schuylkill Canal..... "	$33\frac{18}{100}$ "	$1\frac{26}{100}$ "
Pennsylvania Canal..... "	$28\frac{22}{100}$ "	$1\frac{7}{100}$ "
Tide Water Canal..... "	$27\frac{77}{100}$ "	$1\frac{5}{100}$ "
Green & Barron Rivers, Kentucky..... "	$25\frac{20}{100}$ "	$\frac{96}{100}$ "
Muskingum Lock Navigation "	$20\frac{81}{100}$ "	$\frac{79}{700}$ "
Monongahela Navigation Co. "	$4\frac{56}{100}$ "	$\frac{17}{100}$ "

But as more than one-half of coal comes from the first and second pools, the *actual* rate of toll on the coal transported on the Monongahela improvement is much less than as above stated, the toll bears so inconsiderable a proportion to the value of the article that it cannot be fairly regarded as a tax on the commerce of the Ohio River.

ANSWER TO CHARGE OF INSUFFICIENT CAPACITY.

The Memorial, which presents the entire argument in favor of the pending bill, charges that the locks are narrow and of insufficient capacity to accommodate the coal trade; and that, at Lock No. 1, "towboats fully manned with crews and with steam up, have frequently to wait for 24 hours, and

often 48 hours, before they can be passed through said locks." The report of the Engineers is silent on the subject of this alleged detention. But the report of the Engineers of the Monongahela Navigation Company, accompanying the report of the Engineers, as appendix 4, page 30, shows that "in 18 consecutive hours at Lock No. 1, 1,800,000 bushels of coal have been passed through, and in one day considerably more than 2,000,000 bushels, or 80,000 tons, which, for a year of three hundred days, would equal a lockage capacity of 24,000,000 tons" on *descending* boats, and taking no account of the *ascending* steamers passing through the other lock at same dam. This is *six* times the greatest number of tons of coal (4,000,000 tons) ever taken from the Monongahela Valley in any year. The detention complained of arose chiefly from the use of Pool No. 1, as a harbor for the loaded boats from all the pools, and hence the "rush" at No. 1 to get the boats through in case of a "coal boat rise." But there were, and still are to some extent, *other causes* of detention. The Act of the Legislature of Pennsylvania, passed in 1851, requires the Company to pass coal boats and barges through the locks in the order of the *time* of their arrival. In the "rush" to get through it has frequently happened that towboats arriving would be moved to the head of the lock, the pilot demanding an immediate passage, though others had arrived before him, and were entitled to "the turn," thus barring the entrance to the lock chamber. The lock tender would not let the later arrival through except in its "turn," because, contrary to the Act referred to, and contrary to fairness and justice. The obstinate pilot would not remove his boat, and no other boat could get through. Detentions of this kind, caused by pilots, have occurred many times, and at least one continued for 12 hours, and until the aid of the Mayor of Pittsburgh and the police were invoked. Since the opening of the Davis Island Boat Dam, the coal boats and barges use *it* as a harbor, and in January 1888, owing to some difficulty in operating

the machinery, no coal tow could get through for more than 24 hours, though the "tow boats fully manned with crews and steam up" waited "for twenty-four hours," and some much longer. Happily, no record was kept of the strong expressions of many operators and pilots during that detention.

NO TOLLS ON FREIGHT COMING FROM ABOVE POOL No. 7.

It is said in the Memorial that "It is certainly an anomalous condition of affairs, that a private corporation imposes a tax on commerce midway on one of the highways of the nation between improvements made by the authority of the nation." The United States some years ago built a dam on the Monongahela River, near Morganstown, West Virginia, and are and have commenced to build another midway between the Pool No. 7 of the Monongahela Navigation Company's works and the completed United States dam. If these dams belonged to the Navigation Company's system they would be numbered 8 and 9, respectively, and in fact, in common parlance, are so designated. Between Pool No. 7 and the dam of the United States, already completed, there neither is nor can be any navigation, except in freshets, when small lots of timber are floated down to Pool No. 7. There is no "highway of the nation," the river here being small, shallow and in its natural state. The entire receipts at Lock No. 7 for the year 1886 were $2,542.83, and "a large portion of the tolls at No. 7 are paid by the packet boats which run from Geneva to Pittsburgh and back." (Report of the Treasurer of the Company to the Engineers, page 36 of the report and appendix.) Dam No. 7 backs the water to the State line, and the Pool may be said to be entirely within the State of Pennsylvania. There are distilleries and flour mills on the banks of this pool, and almost all the articles of commerce transported on and from it, are whiskey, flour, poultry and some farm produce, and the articles of commerce carried to the

pool from Pittsburgh make up nearly all the carrying business, from which $2,500 annually is received as tolls. It is safe to say that the Company never realized $500 annually in tolls from any commerce originating above Pool No. 7; and this has been taken away by the Act of Congress of August 5th, 1886, which in appropriating money for the Upper Monongahela, provides that no charges or tolls shall be collected on any other part of the river on any commerce on said river which originates above the works herein appropriated for." The Davis Island Dam is on the Ohio River, a few miles below Pittsburgh, and the Pool extends to Dam No. 1 of the Monongahela Navigation Company's works. It makes a good harbor for the coal fleets loaded on the pools of the Navigation Company. It makes a good water-way on two sides of Pittsburgh and on one side of the City of Allegheny. It has developed no coal industry, though some coal mined 4 or 5 miles away from the pool and transported by rail may be loaded on it to await a freshet on the Ohio, but we know of none. The dam has not developed or increased commerce on the Ohio, for the river ten miles below Pittsburgh is still unimproved.

ACQUISITION OF THE PROPERTY WOULD NOT REDUCE PRICE OF COAL.

It is not believed that the acquisition of this corporate property by the United States would reduce the cost of Monongahela Valley coal to the purchaser at Cincinnati, Louisville or New Orleans to the extent of one cent per ton, if at all. The cost of coal at Cincinnati varies from $1.50 to $3.00 per ton, and there are similar or greater variations of price below on the Ohio and Mississippi Rivers. The Coal Exchange of Pittsburgh is founded on an identity of interests of the coal operators, as to costs of mining and prices of coal in the Western and Southern markets. There are variations at different times, but coal from the Monongahela Valley of the same quality brings always the prevailing price

—the fixed price at the same time. Pools, combinations, syndicates and "Trusts" control prices. No benefit of any kind will accrue to the consumer. Nor are the people of the South or West here as complainants. True, the Board of Trade of Louisville, in their resolution of four lines (Appendix 6, page 36), calls for the free navigation of the Monongahela River, "as under the present state of affairs it is *a heavy tax and burden* upon the commerce of the Mississippi Valley;" that is, the toll of $\frac{17}{100}$ per bushel for 56 miles carriage is a heavy tax and burden! And it is said that the Commission for the improvement of the Ohio River has made a similar demand. The late Gen. James K. Moorhead, who spent more than forty years of his life in constructing or operating the works of this Navigation Company, as a member of Congress strongly and efficiently advocated the building of the dams on the Monongahela above Dam No. 7. He strongly advocated the construction of the Davis Island Dam, though not at that time in Congress. He served for many years on the Ohio River Commission as President of that body, and strongly urged the improvement of the Ohio River. He never dreamed that the existence of these improvements, which he had much at heart and helped forward, would be urged as a reason for destroying the corporate existence of the Navigation Company, which he had spent a life-time in building up, and which in no way conflicted with the improvements he favored.

REAL PROMOTERS OF THE BILL.

But the real promoters of the proposed legislation are the coal operators principally in the third and fourth pools, with perhaps a few from the second. They inspired the Memorial of the Pittsburgh Chamber of Commerce, the President of that body at that time being a well-known coal operator in the third pool. They have been in Washington in force, and have been repeatedly heard before the River and Harbor Committee of the House, and the Committee of Com-

merce of the Senate in the 48th and 49th Congresses, and are besieging the present Congress in the same interest. The movement is entirely in their own interest, and has little force but that which they have been able to give it. Their favorite argument is this: One thousand bushels of coal transported from Pool No. 4 to the Ohio River at Pittsburgh, a distance of 56 miles, is charged $2.65 as toll. Now, there are about 100,000 bushels of merchantable coal in an acre, which, when mined and transported down the river, is charged $265.00 as tolls by the Navigation Company; hence there is a tax on commerce, that is, the coal from this pool going west and south of $265 per acre, on coal from No. 3 of $245 per acre, and from No. 2 of $180 per acre. But they do not inform Congress that while coal is sold in Pool No. 1 at say, $500 per acre, where the toll would be $90; and a little less (not much) in No. 2, where the toll would be $180; the prices per acre in Nos. 3 and 4 are much less, probably not more than $125 in Pool No. 4, and something more in No. 3. The immediate effect, therefore, of the proposed legislation, should the bill pass, would be to add $265 per acre to the value of the coal in the bank in No. 4, and $245 per acre to that in No. 3, without the mining of a bushel. The only benefit will be to the owners of coal lands in these pools, whether operators or not, and that will be large—$265 per acre in No. 4 and $245 in Pool 3. In fact, a practically equal value will be given to all the coal lands in the four pools, some of which was purchased at $500 per acre, and some for $100. Of course, coal-land owners in Pool No. 1 and many in No. 2 are opposed to the legislation referred to while those in Nos. 3 and 4 warmly advocate it.

These observations are made with no feeling of hostility to the coal operators referred to. They are reputable, energetic and successful men, and we wish them still greater success; not, however, at the expense of the Monongahela Navigation Company, whose works gave their coal property most of its present value; nor of the United States—believ-

ing that the large expenditure asked would be of no benefit to the public, however beneficial to the small class referred to.

GOVERNMENT MANAGEMENT WOULD NOT PROMOTE COMMERCE.

Nor is it believed, that these works could be operated under the direction of the United States, as successfully in the interests of commerce as under the present ownership. Certainly, annual contingent appropriations of not less than $100,000 will be required for repairs actually or possibly needed. In 1867, the repairs cost $69,873.47; in 1868, $65,880.60; in 1881, $79,569.44 (page 32, Engineers' Report); and the works were much less extensive at these periods than now. One dam (No. 7) and two large locks (Nos. 3 and 4) have been constructed since 1883. Should there be no appropriation and Congress not in session, and a section of a dam go out in a flood the navigation might be interrupted for the greater part of a year. There have been many breaks in the dams, and it has been found impossible to foresee the danger or obviate it. Nothing can be done but to repair it when it occurs; this, the Company has always been able to do promptly. The history of Government works is that of work well executed, but slowly done.

GIVE US A REASON.

For these and other reasons we protest against the passage of the pending bill. If we are not to be permitted to remain the owners of our property which rests on the grant of corporate franchises by the State of Pennsylvania, to promote a great public interest, to convert an unnavigable river into an important highway, open to all (except the Company itself, which cannot place a boat nor engage in transportation on its own works)—a purpose which even our adversaries admit to have been well subserved—let us at least know the reason why !

Dams Nos. 1 and 2, with one lock in each, were completed in 1841, and dams Nos. 3 and 4, with also a lock in

each, were completed in 1844. Locks and dams Nos. 5 and 6 were ready for use in 1856, No. 7 in 1884, and additional locks have been put in the lower dams between these periods. The work of construction extended from 1838 to 1886, a period of forty-eight years. The period from 1838 to 1853 was one of expenditure of money, experiment and for a part of the time, of deep depression. No dividends were paid until 1853. No large dividends having reference to the current rate of interest on money were ever paid until July, 1876, the semi-annual dividends, in some years, falling as low as 1½, 2, 2½ and 3 per cent., and no dividends have been paid in cash since January, 1884, the entire revenues since that period, having been devoted to new construction, greatly enlarging facilities for transportation. It is now, when the property has become really remunerative to the stockholders, after many years of depression and struggle, that it is proposed that the United States should acquire it by purchase or condemnation, which means, if we will not sell at the Government's price, the United States will take it by the strong arm of sovereignty. If there be power to do this, let a sound reason for the exercise of it be given. High sounding rhetoric about "highways of the nation," "great burdens on commerce," which exist only in the imaginations of persons heated by interest, will neither satisfy the corporation nor the public.

The other question referred to is, what is the value of the entire property which the bill proposes that the United States should acquire by purchase or condemnation?

VALUE OF THE PROPERTY.

The entire property of the Monongahela Navigation Company consists of—

1st. Seven dams on the Monongahela river, No. 1 being at Pittsburgh, and No. 7 near Geneva, Fayette county, Pennsylvania, about 12 miles north and west of the line of the State of West Virginia; eleven locks, two in each of the

dams Nos. 1, 2, 3 and 4, and various other structures in the river, intended to protect and afford facilities for the entrance to and exit from the various locks, and to secure the banks of the river from being washed by the reaction of the water below the dams. It was this physical property to which the attention of the engineers was directed in their examination of the works, though they make no mention in their report of other property than locks and dams.

2d. Real estate, consisting of lots and parcels of ground, dwelling houses, occupied as residences by lock tenders and their assistants and other officers of the company, on some of which are engine houses, steam engines and operating machinery, railroad tracks, launchway, wharf, repair shop, etc. The engineer of the company has included in his estimate and statement, repair boats Nos. 1 and 2, flats, pump boat and machinery. All this property together is estimated at $134,000, but is not mentioned specifically in report proper of the engineers. It will be found, however, in appendix 4, page 29.

NUMBER OF SHARES OF STOCK.

3d. The corporate franchises granted to the company by the State of Pennsylvania, to build the works and authorizing the collection of tolls, without which power the property would be of no value to the company, except the real estate and movable property above mentioned.

The entire property is represented by 31,706 shares of stock now actually issued, and certain other shares which the company will be entitled to issue as the debt incurred by the recent constructions becomes extinguished, pursuant to the provisions of the Act of Assembly of the State of Pennsylvania, passed January 25, 1854, (Appendix 7, pages 54 and 55 of Engineers' Report), each share of stock being of the par value of fifty dollars. The engineer of the Monongahela Navigation Company estimated the

locks and dams of the company to be of the value of $2,360,700, on the 29th of December, 1886, and the real estate and appurtenances, exclusive of franchises, at $134,000.00, amounting to a total of $2,494,700. The estimate made by S. Wainwright, consulting engineer, employed by the coal operators, in January, 1887, is as follows:

Estimated cost new work January, 1887....	$2,311,505.67
Deduction on account of depreciation.....	204,300.00
Actual value January, 1887.....	$2,107,205.67

(Appendix 2, pages 18 to 26 inclusive, Engineers Report.

The Board of Engineers appointed by the Secretary of War, in their report, page 9, say: "The intrinsic value of the works and appendages, including all items enumerated by the treasurer and chief engineer, in their estimates of December 30 and 29, and *excluding* the franchise or right to take toll, is placed by the Board at $1,950,000." (Page 9 of their report.) They add: "Which does not exceed the tax in the form of tolls, which commerce would pay under present control, during the next nine years," that is the gross tolls, of which more than two-fifths is devoted to annual repairs, to the payment of taxes to the State of Pennsylvania, and expenses of operation of the works; for the net dividends would not aggregate the sum of $1,950,000.00 in less time than 16 years.

VALUE OF PHYSICAL STRUCTURES.

On page 7 of the report, the Engineers say: "It may be admitted that an estimate of about $2,250,000.00 for new and substantially built works, as enumerated, does not appear excessive; but the present question is the value of old works, now in use, it is true, but still in many instances in need of extensive repairs to make them as good as new. The cost of such repairs, in the opinion of the Board, is about $300,000, making the present intrinsic value of existing

works about $1,950,000.00." This estimate of present value is less by $157,205.67 than that made by Mr. Wainwright, the engineer employed by the coal operators, who allowed only $204,300 for deterioration; while the estimate of the engineers of the Company is of existing value. Mr. Wainwright, speaking of the deterioration (page 25) says: "The exposure of works of this character to high floods of water and ice combined, are more liable to produce sudden damages which are more serious than any gradual decay. All of the timber foundations of the locks, a large portion of the lock walls, nearly all of the dams and about one-half of the crib work are protected from decay. It is also well known that a new dam is never as safe as an old one, with proper repairs to combing and lower slope of dam; as the age of a dam increases, the interstices of it are more completely filled up with silt and gravel, and the accumulations of material, drifts, dredging, etc., behind it increase; all of which tends to improve the stability of the dam and transform it from an artificial to a natural or imperishable obstruction to the action of the water." Now, the only parts of these structures above water are the upper portions of the locks and the wooden planks constituting the combing and lower slope of the dams when the water is extremely low and not flowing over the dam. Of course, these wooden planks are worn by ice passing over in the winter season, and the larger part of the ordinary repairs is the replacing of these wooden planks. The stone work of the locks above water is little more liable to decay than the ordinary stone wall on dry land, except the wearing by concussion and rubbing as boats pass through. We fear that engineers of the modern school have less confidence in dams and locks of the character of those constructed on the Monongahela River, and in relation to which they have no experience at all, than in constructions of solid stone, and of other and newer methods. But Dams Nos. 1 and 2 have stood the tests of forty-seven years of as severe trial as any new construction can be subjected to,

and Nos. 3 and 4 have withstood the floods and ice of forty-four years. Besides, the question is not of the intrinsic value of the works to the United States or any corporation other than the present owners. The question here is the value of the works to this company, as they now exist. The existing structures had actually cost the corporation $2,001,-206.94 when the engineers saw the works, and sixty per cent. of this expenditure was made when labor and material were more than fifty per cent. lower than at the present time; and $1,032,324.40 has been expended on the works for general repairs, a large part of which was expended in replacing sections of the dams which had been carried out by floods and ice before they had become perfectly solid, as explained by Mr. Wainwright. The company believes, and speaks from knowledge and experience in operating these works, that the sum of $300,000, which the engineers have estimated, as required to make the works as good as new, is preposterously large. Three of the locks and one of the dams are entirely new, and not one of the others is even pretended to be in bad condition. It is at least doubtful, too, whether the Engineers' report was intended to include the real estate, that is, the ground, dwelling houses, etc., estimated at $134,000, above referred to. They use the words "accessories and appendages," which would include everything but the real estate referred to.

THE STOCK REPRESENTS THE VALUE OF THE PROPERTY.

But the value of the entire property of the corporation is not obtained by estimating the value of the physical structures, accessories and appendages, including the real estate of the company. The corporate franchises are a very important part of that property, and the whole property is represented by the shares of stock lawfully issued by the corporation. It is certainly proper, in a case like this, to ascertain the value of such physical structures and property, for the continued existence and prosperity might, to a

large degree, depend on the condition of this part of the property of the corporation, and a bad or precarious condition of such property would undoubtedly affect the value of the stock. But there are only two rules by which the value of corporate property may be ascertained. The first is by ascertaining the value of the stock. If the stock actually represents money paid and has been lawfully issued, but is less in value than par, the corporate property cannot be worth as much as it cost or any greater sum than the value of its stock. If the stock be at 100 per cent. above par, the corporate property in the case given is worth double the actual cost and the stock represents the actual value of the corporate property. The second is by ascertaing the earning capacity of the corporation, and, of course, this earning capacity is more or less affected by the existing condition of the physical property of the corporation in a case like this. But, if the earnings be large, this stock will increase in value, other things being equal, and perhaps the earning capacity is only a test of the real value of the stock (see Appendix 7 of the Report, page 37). The Engineers say (pages 6 and 7 of their Report), "The law "permits the capital stock to be increased as new construc- "tion is carried out and the present amount of capital stock "has been so increased since the dates for which calculation is made.

"The law also permits dividends of 12 per cent. on the "capital stock, and increase of said stock, under certain "limits, will, under favorable conditions of management and "repair, result in increased dividends and an increased value "of property." The "limits" referred to are *actual expenditures* in construction, that is, *enlargement* and extension, excluding repairs, *and the interest on money* borrowed and actually expended in the construction. But no stock can be issued, except for the loan or part of the loan actually repaid and for the interest when and as paid. The Company may also, with the consent of the stock-hold-

ers, apply the net revenues, that is, the dividends as they accrue to the payment of the cost of construction, in which case the dividend is in stock so-called, the method pursued being to give each share-holder a certificate called *scrip*, which is taken in lieu of cash; and when these certificates aggregate the par value of one or more shares, the scrip is redeemed by the issue of one or more shares to the holder.

In 1882, the Company resolved to construct additional large locks in Dams Nos. 3 and 4, in order to afford the fullest facilities for the transportation of coal from these pools; also to build the new dam and Lock No. 7, required by the Company's charter. Accordingly, a loan was negotiated on the mortgage bonds of the Company in the sum of $500,000, at five per cent interest, to complete the new improvements. It was known at the time that this sum would be inadequate, probably, for the purpose intended. The work of construction began in 1883, and the dam and three locks were actually completed near the end of 1886, as stated by the Engineers in their report; that is to say, the dam and two new locks were completed, but the "accessories and appendages," such as breakwaters, to protect the entrance to the locks, riprapping, especially at No. 7, to prevent the washing away of the banks of the river by the reaction of the water below the dam, and considerable additional expenditures for the same purpose were not completed until after the Engineers had made their report. Claims for damages for overflow of lands in Pool No. 7 are still pending, and additional land purchases at and below Dam No. 7 were made in settlement of threatened litigation in consequence of the washing of the banks below the dam. A single claim for $5,000 is now pending against the Company for damages alleged to be caused by a new construction below Dam No. 2, made necessary to enable boats and barges to approach the locks, the river banks having been extended into the river by immense deposits of slag and other material made by the Edgar Thompson Steel Works. A claim of $2,500 for a similar cause below Dam

No. 1 is also pending. The cost of the Dam No. 7, and of the two additional locks amounted to $685,000, all of which has been paid, the excess (over the loan of $500,000 and premium) out of the earning due to the stock-holders. In the year 1887, $4,779.16 were expended on "new construction" and $3,459.75 on the purchase of real estate, amounting to $8,238.91, both sums for necessary "accessories and appendages." It is certain that a considerably larger amount, estimated at $15,000, will be required (at least half in the present year) for similar purposes and land damages.

From the above it will be seen that the cost of the extensions and enlargements made since 1883 is more than $700,000; that is to say, more than the *third* part of the entire cost of the works of the Company. And as interest is allowed on money borrowed for the purpose of construction, and is to be represented in stock, it is plain that the annual interest on the above loan and to be paid by the Company, must largely increase the stock. The $500,000 loan made in 1882 on mortgage bonds at five per cent, and having twenty years to run, required an annual payment of $25,000—equal to 500 shares. But, in fact, only $289,000 of this loan is now outstanding, the Company having redeemed and paid all that could be purchased, including $7,000 paid off in 1887, and is consequently entitled to increase the stock to the amount of principal and interest thus paid. It also paid, in 1887, $32,000 outstanding first mortgage bonds referred to in the Engineers' Report as liability, and has issued stock for the same. The shares of stock which, in July, 1870, were 20,050, and in July, 1884, amounted to only 20,093, have, consequently, increased rapidly since the last mentioned period.

The number of shares were,		January, 1885,	21,275
"	"	July, "	22,536
"	"	January, 1886,	23,893
"	"	July, "	25,326
"	"	January, 1887,	26,896
"	"	January, 1888,	28,458

At a meeting of the stockholders held in January, 1888, an increase of 3,200 shares was authorized, representing $160,000 of the money expended in the construction of the new lock and dams, over and in excess of the $500,000 loan obtained for that purpose, which, with scrip convertible into stock added, made an addition to the stock of 3,248 shares. As there were, however, $32,799 paid on outstanding bonds and interest thereon, which has not yet been converted into stock, but which will be so converted with the accruing semi-annual stock dividends in July, 1888, there will be a large addition made to the stock at that time, and the addition to be made to the stock in January, 1889, will consist of interest paid on outstanding bonds, expenses of new construction, say $8,000, and the semi-annual dividend, it must be evident that a very large increase will be made before and at that time. As the proceeds of the outstanding bonds have gone into the construction, but cannot be represented in stock until actually paid by the Company, and the annual interest on these outstanding bonds is between $14,000 and $15,000, it is evident that the increase of the stock, when all liabilities on these bonds and for necessary new work are paid, will raise the number of shares considerably above 40,000. In fact, the actual cost of construction of the works of this Company has never yet been fully represented in stock. The Engineers report the cost of construction up to the time of their report, December, 1886, as being something over $2,000,000, which would entitle the Company to more than 40,000 shares. There is not one drop of water, in the stock phrase of the day, in any issue of this stock.

NUMBER OF SHARES OF STOCK AND VALUE.

The entire property of the Company may therefore be said to be represented by 40,000 or more shares actually issued, or which the Company is entitled to have issued, on payment of the outstanding liability. These shares are of the par value of fifty dollars. What is their actual value?

As the shares have always been regarded as a very valuable investment, which the holders are unwilling to part with, few of them have ever been put on the market for sale. In the administration of the estates of deceased shareholders, a very few have been sold. Any person seeking an investment of money, and having knowledge of the condition of the Company, would have taken them at any time, between the years 1882 and 1884, at $100 per share. Intrinsically, they were worth $100 a share and more. Since July, 1869, there has been no dividend at a lower rate than 9 per cent. per annum; since 1876, 12 per cent, has been regularly paid. These periods represent the prosperity of the corporation. The future would be still better assured if the existence of the Company were not assailed. One-third of all the works are new, and two-thirds of the rest are good as new. The sum of $45,000 was expended last year, as repairs, but were rather replacements than repairs. Never were the works in better order, and less need of repair. Business is increasing, making a larger fund for repairs if needed. The stock of any railroad company or manufacturing company dividing 12 per centum regularly for twelve years, with corresponding enlargements, betterments and business prospects, would be worth much more than 100 per cent. above par. Mr. Bakewell, Treasurer of the Company, says, under oath, that the stock is, in his opinion, worth $100 per share. Mr. Bradley, President of one of the National Banks at Pittsburgh, bought twelve shares at $100 each in September, 1884. Mr. Donnell, also a banker, says that the stock would sell for $100, had not the Government entertained the question of purchasing or acquiring the works; but the agitation of this question has brought down the stock to $89, and some sold as low as $82. (See the affidavits of these gentlemen, pages 26 and 27 of the report.)

The question, however, is, what was the value of the property *before* the agitation of the matter of Congress de-

claring the Monongahela River free from the tolls which the State of Pennsylvania authorized the Company to charge? What was the property worth in 1884? What would it be worth to-day if the existence of the corporation was assured, say to 1909? The Report finds the corporate grant good until 1909, as against the State, and such continued existence must be assumed in fixing the value. No person, seeking an investment, would purchase the stock if the passage of the pending bill were assured, or even if the probabilities pointed that way; but with an assured corporate life of twenty years every share issued, or to be issued, could be sold for $100 in three months. If it be intended that the United States shall purchase this property, it is not to be expected that it will be at a depreciation in selling value, caused by the offer to buy or the purpose to take, or what led up to that offer or purpose. The stockholders know their shares to be worth $100 each, and more: if there be those who think them to be of less intrinsic value, a judicial determination alone can settle the question of value.

EARNING CAPACITY.

2d. Tried by the test of *earning capacity* the property is worth more than $4,000,000. The tolls received in the year 1886 were $255,341.83. Of this sum $55,000 were ample for *ordinary* repairs, taxes and expenses. But as there were at that time only 26,896 shares issued the dividends amounted to only $161,376.00, and there was applied to repairs, expenses and State taxes about $85,000. The repairs were largely replacements. At least $190,000 could have been divided in that year had there been stock issued to the extent of money actually expended in construction. The year 1887 was an exceptionally unfavorable year for the company on account of low water in the Ohio river for more than six months of the year. Rivers, creeks, brooks and springs appeared to have been dried up. Wells, hitherto unfailing, failed in the latter half of 1887 in West-

ern Pennsylvania and in a large area of the western country. The tolls received in 1887 were consequently lower than for several years, amounting to $200,157.68. Of the $45,000 expended in that year for "Repairs" the larger part is replacement of old works. The diminished business of 1887 has been already made up to some extent by the unusually large shipments of 1888, there having already been three "coal-boat rises" in January and February of this year. Averaging the toll receipts for five years, beginning with 1886, at $250,000 per annum, and repairs, taxes and expenses at $90,000, will leave $160,000 for dividends, and $160,000 is the interest on $4,000,000 at 4 per cent. Make the expenses $70,000, and the dividends $180,000, and we will have the interest on $4,000,000 at 4½ per cent. But this estimate of receipts allows nothing for increase of business, and that of expenses, repairs and taxes is far above the average; and it can hardly admit of doubt that in five years from this time the annual dividends will be $200,000, equal to 5 per cent. on $4,000,000.

VALUE IF CORPORATE POWERS BE CONTINUED.

3d. If the corporate powers of the company be allowed to continue until 1909, say twenty-one years, the present value of the property would be between $5,000,000 and $6,000,000, as the dividends in that period would be more than $4,000,000 with very little increase of revenue.

VALUE OF THE PROPERTY BY THE STATUTORY METHOD.

4th. The State of Pennsylvania reserved the right to purchase the works of the Company, and provided a method of estimating the value: "Such value being cost of work and repair with 8 per cent interest per annum, less dividends paid." There were no dividends made until 1853, and as before stated, no large dividends until within twelve years. The Engineer of the Company has made a careful calculation, according to this method, and finds the sum at which

the State of Pennsylvania would be entitled to purchase the works amounts at this time (supposing her right to purchase now exists, which we deny), to $5,135,500.77.

It is now respectfully submitted that by any method of valuation or calculation, that includes the works and "entire property" of the Company, the present value will be found to be over $4,000,000.

M. K. Moorhead,

President of the Monongahela Navigation Company.

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